



PROPERTY AND CASUALTY COMPANIES - ASSOCIATION EDITION

ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2008  
OF THE CONDITION AND AFFAIRS OF THE

Unitrin Direct Insurance Company

NAIC Group Code	0215 (Current)	0215 (Prior)	NAIC Company Code	10226	Employer's ID Number	36-4013825
Organized under the Laws of	Illinois			State of Domicile or Port of Entry		IL
Country of Domicile	United States of America					
Incorporated/Organized	03/21/1995			Commenced Business		04/20/1995
Statutory Home Office	One East Wacker Drive (Street and Number)			Chicago , IL 60601 (City or Town, State and Zip Code)		
Main Administrative Office	2790 Business Park Drive (Street and Number)					
	Vista , CA 92081 (City or Town, State and Zip Code)			760-599-4700 (Area Code) (Telephone Number)		
Mail Address	2790 Business Park Drive (Street and Number or P.O. Box)			Vista , CA 92081 (City or Town, State and Zip Code)		
Primary Location of Books and Records	One East Wacker Drive (Street and Number)					
	Chicago , IL 60601 (City or Town, State and Zip Code)			312-661-4600 (Area Code) (Telephone Number)		
Internet Website Address	www.unitrindirect.com					
Statutory Statement Contact	Robert Allen Lindgren (Name)			760-596-4696 (Area Code) (Telephone Number)		
	rlindgren@unitrindirect.com (E-mail Address)			760-597-6585 (FAX Number)		

OFFICERS

President	James Allen Schulte	Treasurer	Clark Hubbard Roberts #
Senior Vice President	David Michael Elkins	Secretary	Margaret Lorraine O'Hara

OTHER

Timothy Douglas Bruns, Executive Vice President	Donald Gene Southwell, Chairman of the Board
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DIRECTORS OR TRUSTEES

David Frederick Bengston	James Allen Schulte	Eric John Draut
Richard (NMI) Roeske	Donald Gene Southwell	

State of Illinois      SS:  
County of Cook

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

James Allen Schulte President	Clark Hubbard Roberts Treasurer	Margaret Lorraine O'Hara Secretary
Subscribed and sworn to before me this		a. Is this an original filing? .....
day of February 2009		b. If no,
		1. State the amendment number.....
		2. Date filed .....
		3. Number of pages attached.....
Amy J. Ramirez Notary Public 12/09/2012		

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D) .....	8,306,181		8,306,181	12,474,019
2. Stocks (Schedule D):				
2.1 Preferred stocks .....				
2.2 Common stocks .....				
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....				
3.2 Other than first liens .....				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ .....				
encumbrances) .....				
4.2 Properties held for the production of income (less				
\$ ..... encumbrances) .....				
4.3 Properties held for sale (less \$ .....				
encumbrances) .....				
5. Cash (\$ .....1,468,505 , Schedule E - Part 1), cash equivalents				
(\$ .....4,000,000 , Schedule E - Part 2) and short-term				
investments (\$ ..... , Schedule DA) .....	5,468,505		5,468,505	3,626,311
6. Contract loans (including \$ ..... premium notes) .....				
7. Other invested assets (Schedule BA) .....				
8. Receivable for securities .....				
9. Aggregate write-ins for invested assets .....				
10. Subtotals, cash and invested assets (Lines 1 to 9) .....	13,774,686		13,774,686	16,100,330
11. Title plants less \$ ..... charged off (for Title insurers				
only) .....				
12. Investment income due and accrued .....	142,326		142,326	209,446
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection .....	5,577,486	497,304	5,080,182	4,942,664
13.2 Deferred premiums, agents' balances and installments booked but				
deferred and not yet due (including \$ .....				
earned but unbilled premiums) .....	8,127,834		8,127,834	7,539,561
13.3 Accrued retrospective premiums .....				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers .....				
14.2 Funds held by or deposited with reinsured companies .....				
14.3 Other amounts receivable under reinsurance contracts .....				
15. Amounts receivable relating to uninsured plans .....				
16.1 Current federal and foreign income tax recoverable and interest thereon ....	838,388		838,388	175,213
16.2 Net deferred tax asset .....	2,795,971	2,295,129	500,842	
17. Guaranty funds receivable or on deposit .....				
18. Electronic data processing equipment and software .....	2,796,836	2,443,149	353,687	430,278
19. Furniture and equipment, including health care delivery assets				
(\$ ..... ) .....	1,247,419	1,247,419		
20. Net adjustment in assets and liabilities due to foreign exchange rates .....				
21. Receivables from parent, subsidiaries and affiliates .....	8,243,642		8,243,642	6,228,604
22. Health care (\$ ..... ) and other amounts receivable .....				
23. Aggregate write-ins for other than invested assets .....	2,582,572	2,456,665	125,907	208,174
24. Total assets excluding Separate Accounts, Segregated Accounts and				
Protected Cell Accounts (Lines 10 to 23) .....	46,127,160	8,939,666	37,187,494	35,834,270
25. From Separate Accounts, Segregated Accounts and Protected Cell				
Accounts .....				
26. Total (Lines 24 and 25)	46,127,160	8,939,666	37,187,494	35,834,270
DETAILS OF WRITE-INS				
0901. ....				
0902. ....				
0903. ....				
0998. Summary of remaining write-ins for Line 9 from overflow page .....				
0999. Totals (Lines 0901 thru 0903 plus 0998)(Line 9 above)				
2301. Leasehold improvements .....	231,599	231,599		
2302. Other assets .....	399,459	273,552	125,907	114,870
2303. Prepaid ceded reinsurance premiums .....				93,304
2398. Summary of remaining write-ins for Line 23 from overflow page .....	1,951,514	1,951,514		
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	2,582,572	2,456,665	125,907	208,174

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8) .....	3,815,912	2,825,291
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6) .....		
3. Loss adjustment expenses (Part 2A, Line 35, Column 9) .....	679,935	583,380
4. Commissions payable, contingent commissions and other similar charges .....		39,561
5. Other expenses (excluding taxes, licenses and fees) .....	4,996,736	3,302,717
6. Taxes, licenses and fees (excluding federal and foreign income taxes) .....	45,282	381,465
7.1 Current federal and foreign income taxes (including \$ ..... on realized capital gains (losses)) .....		
7.2 Net deferred tax liability .....		
8. Borrowed money \$ ..... and interest thereon \$ .....		
9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ .....16,372,546 and including warranty reserves of \$ ..... ) .....	1,819,172	1,805,113
10. Advance premium .....	261,911	304,243
11. Dividends declared and unpaid:		
11.1 Stockholders .....		
11.2 Policyholders .....		
12. Ceded reinsurance premiums payable (net of ceding commissions) .....	11,649,213	11,307,824
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19) .....		
14. Amounts withheld or retained by company for account of others .....	593,042	773,860
15. Remittances and items not allocated .....		
16. Provision for reinsurance (Schedule F, Part 7) .....		
17. Net adjustments in assets and liabilities due to foreign exchange rates .....		
18. Drafts outstanding .....		
19. Payable to parent, subsidiaries and affiliates .....		136
20. Payable for securities .....		
21. Liability for amounts held under uninsured plans .....		
22. Capital notes \$ ..... and interest thereon \$ .....		
23. Aggregate write-ins for liabilities .....	887,009	930,016
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23) .....	24,748,212	22,253,606
25. Protected cell liabilities .....		
26. Total liabilities (Lines 24 and 25) .....	24,748,212	22,253,606
27. Aggregate write-ins for special surplus funds .....		
28. Common capital stock .....	2,500,000	2,500,000
29. Preferred capital stock .....		
30. Aggregate write-ins for other than special surplus funds .....		
31. Surplus notes .....		
32. Gross paid in and contributed surplus .....	25,500,000	25,500,000
33. Unassigned funds (surplus) .....	(3,560,718)	(2,419,336)
34. Less treasury stock, at cost:		
34.1 .....6,000 shares common (value included in Line 28 \$ .....937,500 ) .....	12,000,000	12,000,000
34.2 ..... shares preferred (value included in Line 29 \$ ..... ) .....		
35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 39) .....	12,439,282	13,580,664
36. TOTALS (Page 2, Line 26, Col. 3)	37,187,494	35,834,270
DETAILS OF WRITE-INS		
2301. Escheat .....	886,961	929,892
2302. Other liabilities .....	48	124
2303. ....		
2398. Summary of remaining write-ins for Line 23 from overflow page .....		
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	887,009	930,016
2701. ....		
2702. ....		
2703. ....		
2798. Summary of remaining write-ins for Line 27 from overflow page .....		
2799. Totals (Lines 2701 thru 2703 plus 2798)(Line 27 above)		
3001. ....		
3002. ....		
3003. ....		
3098. Summary of remaining write-ins for Line 30 from overflow page .....		
3099. Totals (Lines 3001 thru 3003 plus 3098)(Line 30 above)		

STATEMENT OF INCOME

	1 Current Year	2 Prior Year
UNDERWRITING INCOME		
1. Premiums earned (Part 1, Line 35, Column 4)	7,450,382	7,167,046
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7)	6,340,848	5,138,883
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1)	951,528	927,121
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	2,582,106	2,639,410
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	9,874,482	8,705,414
7. Net income of protected cells		
8. Net underwriting gain or (loss) (Line 1 minus Line 6 plus Line 7)	(2,424,100)	(1,538,368)
INVESTMENT INCOME		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	475,031	709,649
10. Net realized capital gains or (losses) less capital gains tax of \$ 14,599 (Exhibit of Capital Gains (Losses) )	25,810	5,591
11. Net investment gain (loss) (Lines 9 + 10)	500,842	715,240
OTHER INCOME		
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ 169,580 amount charged off \$ 13,038 )	(156,542)	(105,035)
13. Finance and service charges not included in premiums	474,117	547,687
14. Aggregate write-ins for miscellaneous income		
15. Total other income (Lines 12 through 14)	317,575	442,652
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(1,605,683)	(380,476)
17. Dividends to policyholders		
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	(1,605,683)	(380,476)
19. Federal and foreign income taxes incurred	(677,774)	(1,252,756)
20. Net income (Line 18 minus Line 19)(to Line 22)	(927,910)	872,280
CAPITAL AND SURPLUS ACCOUNT		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	13,580,664	14,096,885
22. Net income (from Line 20)	(927,910)	872,280
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$		
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	69,033	(422,302)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	(282,505)	(966,199)
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)		
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		
36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus		
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	(1,141,382)	(516,221)
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	12,439,282	13,580,664
DETAILS OF WRITE-INS		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 5 from overflow page		
0599. Totals (Lines 0501 thru 0503 plus 0598)(Line 5 above)		
1401.		
1402.		
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 thru 1403 plus 1498)(Line 14 above)		
3701.		
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 thru 3703 plus 3798)(Line 37 above)		

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance .....	7,076,769	6,601,360
2. Net investment income .....	557,047	755,687
3. Miscellaneous income .....	317,575	442,652
4. Total (Lines 1 through 3) .....	7,951,391	7,799,699
5. Benefit and loss related payments .....	5,350,227	4,748,249
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....		
7. Commissions, expenses paid and aggregate write-ins for deductions .....	2,118,804	2,280,331
8. Dividends paid to policyholders .....		
9. Federal and foreign income taxes paid (recovered) net of \$ ..... tax on capital gains (losses) .....		(246,258)
10. Total (Lines 5 through 9) .....	7,469,031	6,782,322
11. Net cash from operations (Line 4 minus Line 10) .....	482,361	1,017,377
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds .....	4,192,558	3,402,867
12.2 Stocks .....		
12.3 Mortgage loans .....		
12.4 Real estate .....		
12.5 Other invested assets .....		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....	793	(440)
12.7 Miscellaneous proceeds .....		
12.8 Total investment proceeds (Lines 12.1 to 12.7) .....	4,193,351	3,402,427
13. Cost of investments acquired (long-term only):		
13.1 Bonds .....		
13.2 Stocks .....		
13.3 Mortgage loans .....		
13.4 Real estate .....		
13.5 Other invested assets .....		
13.6 Miscellaneous applications .....		
13.7 Total investments acquired (Lines 13.1 to 13.6) .....		
14. Net increase (decrease) in contract loans and premium notes .....		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) .....	4,193,351	3,402,427
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes .....		
16.2 Capital and paid in surplus, less treasury stock .....		
16.3 Borrowed funds .....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....		
16.5 Dividends to stockholders .....		
16.6 Other cash provided (applied) .....	(2,833,518)	(2,058,296)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) .....	(2,833,518)	(2,058,296)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	1,842,194	2,361,508
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year .....	3,626,311	1,264,803
19.2 End of period (Line 18 plus Line 19.1) .....	5,468,505	3,626,311

Note: Supplemental disclosures of cash flow information for non-cash transactions:

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.....		
.....		
.....		

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS EARNED

Line of Business		1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1.	Fire .....				
2.	Allied lines .....				
3.	Farmowners multiple peril .....				
4.	Homeowners multiple peril .....	10,505		4,987	5,518
5.	Commercial multiple peril .....				
6.	Mortgage guaranty .....				
8.	Ocean marine .....				
9.	Inland marine .....	296		114	182
10.	Financial guaranty .....				
11.1	Medical malpractice - occurrence .....				
11.2	Medical malpractice - claims-made .....				
12.	Earthquake .....				
13.	Group accident and health .....				
14.	Credit accident and health (group and individual) .....				
15.	Other accident and health .....				
16.	Workers' compensation .....				
17.1	Other liability - occurrence .....				
17.2	Other liability - claims-made .....				
18.1	Products liability - occurrence .....				
18.2	Products liability - claims-made .....				
19.1, 19.2	Private passenger auto liability .....	4,690,427	1,122,848	1,147,839	4,665,436
19.3, 19.4	Commercial auto liability .....				
21.	Auto physical damage .....	2,763,213	682,265	666,232	2,779,246
22.	Aircraft (all perils) .....				
23.	Fidelity .....				
24.	Surety .....				
26.	Burglary and theft .....				
27.	Boiler and machinery .....				
28.	Credit .....				
29.	International .....				
30.	Warranty .....				
31.	Reinsurance - Nonproportional Assumed Property .....				
32.	Reinsurance - Nonproportional Assumed Liability .....				
33.	Reinsurance - Nonproportional Assumed Financial Lines .....				
34.	Aggregate write-ins for other lines of business .....				
35.	TOTALS	7,464,441	1,805,113	1,819,172	7,450,382
DETAILS OF WRITE-INS					
3401.	.....				
3402.	.....				
3403.	.....				
3498.	Summary of remaining write-ins for Line 34 from overflow page .....				
3499.	Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above)				

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A - RECAPITULATION OF ALL PREMIUMS

		1	2	3	4	5
Line of Business		Amount Unearned (Running One Year or Less from Date of Policy) (a)	Amount Unearned (Running More Than One Year from Date of Policy) (a)	Earned But Unbilled Premium	Reserve for Rate Credits and Retrospective Adjustments Based on Experience	Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1.	Fire .....					
2.	Allied lines .....					
3.	Farmowners multiple peril .....					
4.	Homeowners multiple peril .....	4,987				4,987
5.	Commercial multiple peril .....					
6.	Mortgage guaranty .....					
8.	Ocean marine .....					
9.	Inland marine .....	114				114
10.	Financial guaranty .....					
11.1	Medical malpractice - occurrence .....					
11.2	Medical malpractice - claims-made .....					
12.	Earthquake .....					
13.	Group accident and health .....					
14.	Credit accident and health (group and individual) .....					
15.	Other accident and health .....					
16.	Workers' compensation .....					
17.1	Other liability - occurrence .....					
17.2	Other liability - claims-made .....					
18.1	Products liability - occurrence .....					
18.2	Products liability - claims-made .....					
19.1, 19.2	Private passenger auto liability .....	1,147,839				1,147,839
19.3, 19.4	Commercial auto liability .....					
21.	Auto physical damage .....	666,232				666,232
22.	Aircraft (all perils) .....					
23.	Fidelity .....					
24.	Surety .....					
26.	Burglary and theft .....					
27.	Boiler and machinery .....					
28.	Credit .....					
29.	International .....					
30.	Warranty .....					
31.	Reinsurance - Nonproportional Assumed Property .....					
32.	Reinsurance - Nonproportional Assumed Liability .....					
33.	Reinsurance - Nonproportional Assumed Financial Lines .....					
34.	Aggregate write-ins for other lines of business					
35.	TOTALS	1,819,172				1,819,172
36.	Accrued retrospective premiums based on experience .....					
37.	Earned but unbilled premiums .....					
38.	Balance (Sum of Line 35 through 37)					1,819,172
DETAILS OF WRITE-INS						
3401.	.....					
3402.	.....					
3403.	.....					
3498.	Summary of remaining write-ins for Line 34 from overflow page .....					
3499.	Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above)					

(a) State here basis of computation used in each case      Daily Pro-rata .....

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B - PREMIUMS WRITTEN

Line of Business		1	Reinsurance Assumed		Reinsurance Ceded		6
		Direct Business (a)	2	3	4	5	Net Premiums Written Cols. 1+2+3-4-5
			From Affiliates	From Non-Affiliates	To Affiliates	To Non-Affiliates	
1.	Fire .....						
2.	Allied lines .....						
3.	Farmowners multiple peril .....						
4.	Homeowners multiple peril .....	82,956			69,854	2,597	10,505
5.	Commercial multiple peril .....						
6.	Mortgage guaranty .....						
8.	Ocean marine .....						
9.	Inland marine .....	2,252			1,936	20	296
10.	Financial guaranty .....						
11.1	Medical malpractice - occurrence .....						
11.2	Medical malpractice - claims-made .....						
12.	Earthquake .....						
13.	Group accident and health .....						
14.	Credit accident and health (group and individual) .....						
15.	Other accident and health .....						
16.	Workers' compensation .....			(19)	(19)		
17.1	Other liability - occurrence .....						
17.2	Other liability - claims-made .....						
18.1	Products liability - occurrence .....						
18.2	Products liability - claims-made .....						
19.1, 19.2	Private passenger auto liability .....	47,070,497			42,213,857	166,213	4,690,427
19.3, 19.4	Commercial auto liability .....						
21.	Auto physical damage .....	27,798,562			24,868,906	166,443	2,763,213
22.	Aircraft (all perils) .....						
23.	Fidelity .....						
24.	Surety .....						
26.	Burglary and theft .....						
27.	Boiler and machinery .....						
28.	Credit .....						
29.	International .....						
30.	Warranty .....						
31.	Reinsurance - Nonproportional Assumed Property .....	XXX					
32.	Reinsurance - Nonproportional Assumed Liability .....	XXX					
33.	Reinsurance - Nonproportional Assumed Financial Lines .....	XXX					
34.	Aggregate write-ins for other lines of business .....						
35.	TOTALS	74,954,267		(19)	67,154,534	335,273	7,464,441
DETAILS OF WRITE-INS							
3401.	.....						
3402.	.....						
3403.	.....						
3498.	Summary of remaining write-ins for Line 34 from overflow page .....						
3499.	Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above)						

(a) Does the company's direct premiums written include premiums recorded on an installment basis?      Yes [    ]    No [ X ]

- If yes: 1. The amount of such installment premiums \$ .....
2. Amount at which such installment premiums would have been reported had they been reported on an annualized basis \$ .....



ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Unitrin Direct Insurance Company

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - LOSSES PAID AND INCURRED

		Losses Paid Less Salvage				5	6	7	8
		1	2	3	4				
Line of Business		Direct Business	Reinsurance Assumed	Reinsurance Recovered	Net Payments (Cols. 1 + 2 -3 )	Net Losses Unpaid Current Year (Part 2A , Col. 8)	Net Losses Unpaid Prior Year	Losses Incurred Current Year (Cols. 4 + 5 - 6)	Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
1.	Fire .....								
2.	Allied lines .....								
3.	Farmowners multiple peril .....								
4.	Homeowners multiple peril .....	3,298		2,968	330	1,538		1,868	33.9
5.	Commercial multiple peril .....								
6.	Mortgage guaranty .....								
8.	Ocean marine .....								
9.	Inland marine .....								
10.	Financial guaranty .....								
11.1	Medical malpractice - occurrence .....								
11.2	Medical malpractice - claims-made .....								
12.	Earthquake .....								
13.	Group accident and health .....								
14.	Credit accident and health (group and individual) .....								
15.	Other accident and health .....								
16.	Workers' compensation .....		157	157					
17.1	Other liability - occurrence .....								
17.2	Other liability - claims-made .....								
18.1	Products liability - occurrence .....								
18.2	Products liability - claims-made .....								
19.1, 19.2	Private passenger auto liability .....	32,976,143		29,678,436	3,297,707	3,738,338	2,794,141	4,241,904	90.9
19.3, 19.4	Commercial auto liability .....								
21.	Auto physical damage .....	20,521,334		18,469,144	2,052,190	76,036	31,150	2,097,076	75.5
22.	Aircraft (all perils) .....								
23.	Fidelity .....								
24.	Surety .....								
26.	Burglary and theft .....								
27.	Boiler and machinery .....								
28.	Credit .....								
29.	International .....								
30.	Warranty .....								
31.	Reinsurance - Nonproportional Assumed Property .....	XXX							
32.	Reinsurance - Nonproportional Assumed Liability .....	XXX							
33.	Reinsurance - Nonproportional Assumed Financial Lines .....	XXX							
34.	Aggregate write-ins for other lines of business .....								
35.	TOTALS	53,500,775	157	48,150,705	5,350,227	3,815,912	2,825,291	6,340,848	85.1
DETAILS OF WRITE-INS									
3401.	.....								
3402.	.....								
3403.	.....								
3498.	Summary of remaining write-ins for Line 34 from overflow page .....								
3499.	Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above)								

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Unitrin Direct Insurance Company

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Line of Business		Reported Losses				Incurred But Not Reported			8	9
		1	2	3	4	5	6	7	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
		Direct	Reinsurance Assumed	Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	Direct	Reinsurance Assumed	Reinsurance Ceded		
1.	Fire .....									
2.	Allied lines .....									
3.	Farmowners multiple peril .....									
4.	Homeowners multiple peril .....					15,382		13,844	1,538	138
5.	Commercial multiple peril .....									
6.	Mortgage guaranty .....									
8.	Ocean marine .....									
9.	Inland marine .....									
10.	Financial guaranty .....									
11.1	Medical malpractice - occurrence .....									
11.2	Medical malpractice - claims-made .....									
12.	Earthquake .....									
13.	Group accident and health .....								(a)	
14.	Credit accident and health (group and individual) .....									
15.	Other accident and health .....								(a)	
16.	Workers' compensation .....		2,595	2,595			1,490	1,490		
17.1	Other liability - occurrence .....									
17.2	Other liability - claims-made .....									
18.1	Products liability - occurrence .....									
18.2	Products liability - claims-made .....									
19.1, 19.2	Private passenger auto liability .....	26,077,720		23,479,026	2,598,694	11,396,440		10,256,796	3,738,338	623,170
19.3, 19.4	Commercial auto liability .....									
21.	Auto physical damage .....	(380,691)		(342,621)	(38,070)	1,141,051		1,026,945	76,036	56,627
22.	Aircraft (all perils) .....									
23.	Fidelity .....									
24.	Surety .....									
26.	Burglary and theft .....									
27.	Boiler and machinery .....									
28.	Credit .....									
29.	International .....									
30.	Warranty .....									
31.	Reinsurance - Nonproportional Assumed Property .....	XXX				XXX				
32.	Reinsurance - Nonproportional Assumed Liability .....	XXX				XXX				
33.	Reinsurance - Nonproportional Assumed Financial Lines .....	XXX				XXX				
34.	Aggregate write-ins for other lines of business .....									
35.	TOTALS	25,697,029	2,595	23,139,000	2,560,624	12,552,873	1,490	11,299,075	3,815,912	679,935
DETAILS OF WRITE-INS										
3401.	.....									
3402.	.....									
3403.	.....									
3498.	Summary of remaining write-ins for Line 34 from overflow page .....									
3499.	Totals (Lines 3401 thru 3403 plus 3498)(Line 34 above)									

(a) Including \$ ..... for present value of life indemnity claims.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

	1	2	3	4
	Loss Adjustment Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct .....	3,800,823			3,800,823
1.2 Reinsurance assumed .....				
1.3 Reinsurance ceded .....	3,420,673			3,420,673
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3) .....	380,150			380,150
2. Commission and brokerage:				
2.1 Direct excluding contingent .....		4,471,590		4,471,590
2.2 Reinsurance assumed excluding contingent .....				
2.3 Reinsurance ceded excluding contingent .....		4,024,431		4,024,431
2.4 Contingent - direct .....				
2.5 Contingent - reinsurance assumed .....				
2.6 Contingent - reinsurance ceded .....				
2.7 Policy and membership fees .....				
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7) .....		447,159		447,159
3. Allowances to managers and agents .....				
4. Advertising .....		466,709		466,709
5. Boards, bureaus and associations .....		18,234		18,234
6. Surveys and underwriting reports .....		78,395		78,395
7. Audit of assureds' records .....				
8. Salary and related items:				
8.1 Salaries .....	379,587	742,884		1,122,471
8.2 Payroll taxes .....	32,240	57,181		89,421
9. Employee relations and welfare .....	48,341	112,988		161,329
10. Insurance .....		10,259		10,259
11. Directors' fees .....				
12. Travel and travel items .....	10,239	25,066		35,305
13. Rent and rent items .....	42,635	71,690		114,325
14. Equipment .....	9,419	19,846		29,265
15. Cost or depreciation of EDP equipment and software .....	20,680	51,477		72,157
16. Printing and stationery .....	5,930	35,529		41,459
17. Postage, telephone and telegraph, exchange and express .....	18,417	111,289		129,706
18. Legal and auditing .....	265	12,402		12,667
19. Totals (Lines 3 to 18) .....	567,753	1,813,949		2,381,702
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ .....		163,784		163,784
20.2 Insurance department licenses and fees .....				
20.3 Gross guaranty association assessments .....				
20.4 All other (excluding federal and foreign income and real estate) .....	773	67,694		68,467
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4) .....	773	231,478		232,251
21. Real estate expenses .....				
22. Real estate taxes .....				
23. Reimbursements by uninsured plans .....				
24. Aggregate write-ins for miscellaneous expenses .....	2,852	89,520	6,469	98,841
25. Total expenses incurred .....	951,528	2,582,106	6,469 (a)	3,540,103
26. Less unpaid expenses - current year .....	679,935	5,034,118	7,900	5,721,953
27. Add unpaid expenses - prior year .....	583,380	3,723,743		4,307,123
28. Amounts receivable relating to uninsured plans, prior year .....				
29. Amounts receivable relating to uninsured plans, current year .....				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	854,973	1,271,731	(1,431)	2,125,273
DETAILS OF WRITE-INS				
2401. Bank charges .....			6,469	6,469
2402. Data processing .....	2,852	51,913		54,765
2403. Other expenses .....		16,418		16,418
2498. Summary of remaining write-ins for Line 24 from overflow page .....		21,189		21,189
2499. Totals (Lines 2401 thru 2403 plus 2498)(Line 24 above)	2,852	89,520	6,469	98,841

(a) Includes management fees of \$ 93,452 to affiliates and \$ to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds .....	(a) 218,810	210,836
1.1	Bonds exempt from U.S. tax .....	(a) 314,406	240,365
1.2	Other bonds (unaffiliated) .....	(a) .....	.....
1.3	Bonds of affiliates .....	(a) .....	.....
2.1	Preferred stocks (unaffiliated) .....	(b) .....	.....
2.11	Preferred stocks of affiliates .....	(b) .....	.....
2.2	Common stocks (unaffiliated) .....	.....	.....
2.21	Common stocks of affiliates .....	.....	.....
3.	Mortgage loans .....	(c) .....	.....
4.	Real estate .....	(d) .....	.....
5	Contract loans .....	.....	.....
6	Cash, cash equivalents and short-term investments .....	(e) 4,469	30,299
7	Derivative instruments .....	(f) .....	.....
8.	Other invested assets .....	.....	.....
9.	Aggregate write-ins for investment income .....	.....	.....
10.	Total gross investment income .....	537,685	481,500
11.	Investment expenses .....	(g) 6,469	
12.	Investment taxes, licenses and fees, excluding federal income taxes .....	(g) .....	
13.	Interest expense .....	(h) .....	
14.	Depreciation on real estate and other invested assets .....	(i) .....	
15.	Aggregate write-ins for deductions from investment income .....	.....	
16.	Total deductions (Lines 11 through 15) .....	6,469	
17.	Net investment income (Line 10 minus Line 16) .....	475,031	
DETAILS OF WRITE-INS			
0901.	.....		
0902.	.....		
0903.	.....		
0998.	Summary of remaining write-ins for Line 9 from overflow page .....		
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above) .....		
1501.	.....		
1502.	.....		
1503.	.....		
1598.	Summary of remaining write-ins for Line 15 from overflow page .....		
1599.	Totals (Lines 1501 thru 1503 plus 1598) (Line 15, above) .....		

- (a) Includes \$ 1,933 accrual of discount less \$ 16,829 amortization of premium and less \$ paid for accrued interest on purchases.
- (b) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued dividends on purchases.
- (c) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
- (d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
- (e) Includes \$ 25,830 accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
- (f) Includes \$ accrual of discount less \$ amortization of premium.
- (g) Includes \$. investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ interest on surplus notes and \$ interest on capital notes.
- (i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4	5
		Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds .....					
1.1	Bonds exempt from U.S. tax .....					
1.2	Other bonds (unaffiliated) .....	39,616		39,616		
1.3	Bonds of affiliates .....					
2.1	Preferred stocks (unaffiliated) .....					
2.11	Preferred stocks of affiliates .....					
2.2	Common stocks (unaffiliated) .....					
2.21	Common stocks of affiliates .....					
3.	Mortgage loans .....					
4.	Real estate .....					
5.	Contract loans .....					
6.	Cash, cash equivalents and short-term investments .....	793		793		
7.	Derivative instruments .....					
8.	Other invested assets .....					
9.	Aggregate write-ins for capital gains (losses) .....					
10.	Total capital gains (losses) .....	40,409		40,409		
DETAILS OF WRITE-INS						
0901.	.....					
0902.	.....					
0903.	.....					
0998.	Summary of remaining write-ins for Line 9 from overflow page .....					
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above) .....					

EXHIBIT OF NON-ADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D) .....			
2. Stocks (Schedule D):			
2.1 Preferred stocks .....			
2.2 Common stocks .....			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens .....			
3.2 Other than first liens .....			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company .....			
4.2 Properties held for the production of income .....			
4.3 Properties held for sale .....			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA) .....			
6. Contract loans .....			
7. Other invested assets (Schedule BA) .....			
8. Receivables for securities .....			
9. Aggregate write-ins for invested assets .....			
10. Subtotals, cash and invested assets (Lines 1 to 9) .....			
11. Title plants (for Title insurers only) .....			
12. Investment income due and accrued .....			
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection .....	497,304	536,366	39,062
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due .....			
13.3 Accrued retrospective premiums .....			
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers .....			
14.2 Funds held by or deposited with reinsured companies .....			
14.3 Other amounts receivable under reinsurance contracts .....			
15. Amounts receivable relating to uninsured plans .....			
16.1 Current federal and foreign income tax recoverable and interest thereon .....			
16.2 Net deferred tax asset .....	2,295,129	2,726,939	431,810
17. Guaranty funds receivable or on deposit .....			
18. Electronic data processing equipment and software .....	2,443,149	2,461,988	18,839
19. Furniture and equipment, including health care delivery assets .....	1,247,419	1,199,408	(48,011)
20. Net adjustment in assets and liabilities due to foreign exchange rates .....			
21. Receivables from parent, subsidiaries and affiliates .....			
22. Health care and other amounts receivable .....			
23. Aggregate write-ins for other than invested assets .....	2,456,665	1,732,460	(724,205)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) .....	8,939,666	8,657,161	(282,505)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....			
26. Total (Lines 24 and 25)	8,939,666	8,657,161	(282,505)
<b>DETAILS OF WRITE-INS</b>			
0901. ....			
0902. ....			
0903. ....			
0998. Summary of remaining write-ins for Line 9 from overflow page .....			
0999. Totals (Lines 0901 thru 0903 plus 0998)(Line 9 above)			
2301. Leasehold improvements .....	231,599	369,564	137,965
2302. Other assets .....	273,552	236,279	(37,273)
2303. Prepaid expenses .....	1,951,514	1,126,617	(824,897)
2398. Summary of remaining write-ins for Line 23 from overflow page .....			
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	2,456,665	1,732,460	(724,205)

## NOTES TO FINANCIAL STATEMENTS

### **1 – Summary of Significant Accounting Policies**

#### A. Accounting Practices

The accompanying financial statements of Unitrin Direct Insurance Company have been prepared in conformity with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual and the laws of the State of Illinois.

The Illinois Department of Insurance recognizes only statutory accounting practices prescribed or permitted by the state of Illinois for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Illinois Insurance Law. The National Association of Insurance Commissioners' ("NAIC") *Accounting Practices and Procedures* manual, ("NAIC SAP") has been adopted as a component of prescribed or permitted practices by the state of Illinois. The Company has not adopted prescribed accounting practices that differ from those found in NAIC SAP.

#### B. Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the period. Actual results could differ from those estimates.

#### C. Accounting Policies

Premiums are earned over the terms of the related insurance policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro rata methods for direct business and are based on reports received from ceding companies for reinsurance.

Expenses incurred in connection with acquiring new insurance business, including such acquisition costs as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

In addition, the Company uses the following accounting policies:

1. Short-term investments are stated at amortized cost.
2. Bonds not backed by other loans are stated at amortized cost using the scientific method.
3. Common Stocks are stated at market, except that investments in stocks of uncombined subsidiaries and affiliates in which the Company has an interest of 20% or more are carried on the equity basis.
4. Preferred stocks are stated at cost.
5. The Company has no mortgage loans on real estate.
6. The Company has no loan-backed securities.
7. The Company is not an owner of any non-insurance companies.
8. The Company has no minor ownership interests in joint ventures.
9. The Company has no ownership of derivative instruments.
10. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 53, Property-Casualty Contracts – Premiums.
11. The Company's unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and any adjustments are reflected in the period determined.
12. The Company has a written capitalization policy for prepaid expenses and purchases of items such as electronic data processing equipment, software, furniture, vehicles, other equipment and leasehold improvements. The predefined capitalization thresholds under this policy have not changed from those of the prior year.
13. The Company has not recorded any pharmaceutical rebate receivables.

### **2 – Accounting Changes and Correction of Errors**

The Company had no material changes in accounting principles and/or correction of errors.

### **3 – Business Combinations and Goodwill**

#### A. Statutory Purchase Method

The Company was not a party to any business combinations.

#### B. Statutory Merger

The Company was not a party to any merger in 2008.

#### C. Impairment Loss

The Company did not recognize an impairment loss.

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Unitrin Direct Insurance Company

NOTES TO FINANCIAL STATEMENTS

4 – Discontinued Operations

The Company has no discontinued operations.

5 – Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

The Company has no mortgage loans, including mezzanine real estate loans.

B. Debt Restructuring

The Company has no debt restructurings.

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

The Company has no loan-backed securities.

E. Repurchase Agreements

The Company has no repurchase agreements.

F. Real Estate

The Company has no real estate.

G. Low Income Housing Tax Credits

The Company has no low income housing tax credits.

6 – Joint Ventures, Partnerships and Limited Liability Companies

A. Detail for Those Greater than 10% of Admitted Assets.

The Company has no investments in Joint Ventures, Partnerships or Limited Liability Companies that exceed 10% of its admitted assets.

B. Writedowns for Impairments

The Company did not recognize any impairment write down for its investments in Joint Ventures, Partnerships and Limited Liability Companies during the statement periods.

7 – Investment Income

A. Accrued Investment Income

All investment income due and accrued with amounts that are over 90 days past due are non-admitted.

B. Amounts Nonadmitted

The total amount excluded was \$0.

8 – Derivative Instruments

The Company has no derivative instruments.

9 – Income Taxes

A. The components of the net deferred tax asset/(liability) at December 31 are as follows:

	2008	2007
Total of all deferred tax assets	\$ 3,394,736	\$ 3,122,722
Total of all deferred tax liabilities	(598,765)	(395,783)
Net deferred tax asset (liability)	\$ 2,795,971	\$ 2,726,939
Deferred tax asset nonadmitted	(2,295,129)	(2,726,939)
Net admitted deferred tax asset	\$ 500,842	\$ 0
(Increase) decrease in nonadmitted asset	\$ 431,810	\$ 422,303

B. The Company does not have any deferred tax liabilities that are not recognized.

C. The provisions for incurred taxes on earnings for the years ended December 31 are as follows:

	2008	2007
Federal income tax expense (benefit)	\$ (677,774)	\$ (1,252,755)
Federal income tax on net capital gain	14,599	3,064
Federal income taxes incurred	\$ (663,175)	\$ (1,249,691)

NOTES TO FINANCIAL STATEMENTS

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities for the years ended December 31 are as follows:

<u>Deferred tax assets:</u>	2008	2007
Discounting of unpaid losses and loss adjustment expenses	92,223	74,077
Unearned premium reserves	145,676	147,655
Employee benefits	570,808	683,612
Nonadmitted assets	2,325,588	2,075,578
Other	260,441	141,801
Total deferred tax assets	3,394,736	3,122,723
Nonadmitted deferred tax assets	(2,295,129)	(2,726,939)
Admitted deferred tax assets	1,099,607	395,783
<u>Deferred tax liabilities:</u>		
Bonds	1,689	2,021
Other	597,076	393,762
Total deferred tax liabilities	598,765	395,783
Net deferred tax asset (liability)	500,842	0

The change in net deferred income taxes is comprised of the following:

	2008	2007	Change
Total deferred tax assets	3,394,736	3,122,722	272,014
Total deferred tax liabilities	598,765	395,783	202,981
Net deferred tax asset (liability)	2,795,971	2,726,939	69,033
Tax effect of unrealized gains			0
Change in net deferred income tax before the tax effect of nonadmitted assets			69,033
Tax effect of nonadmitted assets			(250,010)
Correction of prior year deferreds			0
Change in net deferred income taxes			(180,977)

- D. The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing this difference for the years ended December 31, are as follows:

	2008	2007
Tax provision at statutory rate	(556,879)	(132,095)
Tax exempt income deduction	(71,279)	(111,037)
Other	145,960	3,815
Total	(482,198)	(239,316)
Federal income taxes incurred	(663,175)	(1,249,691)
Change in deferred income taxes	180,977	1,010,375
Total statutory income taxes	(482,198)	(239,316)

- E. (a) The Company has no operating loss carryforwards.
- (b) The amount of income taxes incurred that are available for recoupment in the event of future net losses are \$0 and \$0 for 2008 and 2007, respectively.

- F. (a) The Company is included in a consolidated federal income tax return with the following companies:

Alpha Property & Casualty Insurance Company	Security One Insurance Agency
Charter General Agency, Inc.	Southern States Finance Corporation
Charter Group, Inc.	Southern States General Agency
Charter Indemnity Company	Summerset Marketing Company
Clayton Reinsurance Bermuda	Trinity Lloyd's Corporation
Family Security Funerals Company	Trinity Lloyd's Insurance Company
Financial Indemnity Company	Trinity Universal Insurance Company
Fireside Bank	Trinity Universal Insurance Company of Kansas
Fireside Securities Corporation	Union National Fire Insurance Company
Kemper Auto & Home Group, Inc.	Union National Life Insurance Company
Kemper Enterprise Agency, Inc.	United Casualty Insurance Company of America
Kemper Independence Insurance Company	United Insurance Company of America
Merastar Industries, LTD	Unitrin Advantage Insurance Company
Merastar Insurance Company	Unitrin Auto & Home Insurance Company
Milwaukee Casualty Insurance Company	Unitrin Data Systems, Inc.
Milwaukee Safeguard Insurance Company	Unitrin Direct General Agency, Inc.
National Association of Medicare Members, Inc.	Unitrin Direct Property & Casualty Company
National Association of Self-Employed Business Owners	Unitrin Internal Audit Services, Inc.
NCM Management Corporation	Unitrin Preferred Insurance Company
One East Wacker Corporation	Unitrin Services Company
Reliable Life Insurance Company	Unitrin, Inc.
Reliable Life Insurance Company of Texas	Valley Group, Inc.
Reserve National Insurance Company	Valley Insurance Company
Rural American Consumer	Valley Pacific, Inc.
Security National Insurance Company	Valley Property & Casualty Insurance Company

- (b) The Company is party to a written tax sharing agreement with Unitrin, Inc. and it subsidiaries. This tax sharing agreement states that each participant in the agreement shall be allocated tax as if they filed a separate company return.



## NOTES TO FINANCIAL STATEMENTS

### **10 – Information Concerning Parent, Subsidiaries and Affiliates**

A. Nature of Relationships

The company is a wholly owned subsidiary of Trinity Universal Insurance Company (“Trinity”), a stock insurance company domiciled in Texas. Trinity is a wholly owned subsidiary of the ultimate parent, Unitrin, Inc., a Delaware Corporation.

B. Detail of Transactions Greater Than ½% of Admitted Assets

There were no applicable transactions except for those between affiliates as shown in Schedule Y - Part 2.

C. Change in Terms of Intercompany Arrangements

There were no applicable changes in terms of intercompany arrangements.

D. Amounts Due to or from Related Parties

Balances due to or from affiliates under the terms of the intercompany general services agreements are settled not later than 45 days after the close of the quarter.

E. Guarantees or Contingencies for Related Parties

There are no guarantees or contingencies for the material benefit of affiliates or related parties.

F. Management, Service Contracts, Cost Sharing Arrangements

The Company is party to a general services and a computer services agreement with Unitrin Services Company, an affiliate, whereby USC provides certain management, accounting, treasury, tax, auditing and other technical services.

G. Nature of Relationships that Could Affect Operations

All the shares outstanding are owned by Trinity Universal Insurance Company, which is a wholly owned subsidiary of Unitrin. Refer to the organization chart shown in Schedule Y – Part 1.

H. The Company does not directly or indirectly own shares in an upstream intermediate or ultimate parent.

I. The Company has no investments in Subsidiary, Controlled or Affiliated Companies entities.

J. The Company has no investments in Subsidiary, Controlled or Affiliated Companies entities.

K. The Company has no investments in foreign insurance subsidiaries.

L. The Company holds no investment in a downstream noninsurance holding company.

### **11 – Debt**

The Company has no Debt.

### **12 – Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans**

A. Defined Benefit Plans

Unitrin, Inc. sponsors a defined benefit pension plan covering substantially all employees of the Company. See Note 12D.

B. Defined Contribution Plans

Unitrin, Inc. sponsors a defined benefit contribution savings plan covering substantially all employees of the Company. See Note 12D.

C. Multiemployer Plans

The Company has no multiemployer plans.

D. Consolidated/Holding Company Plans

Unitrin, Inc. sponsors a defined benefit pension plan covering substantially all of the company's employees as well as employees of certain other Unitrin subsidiaries. The benefits are based on years of service and final average pay. Pension expense is determined in accordance with FASB Statement 87. Pension cost allocated to the company amounted to \$997,000 and \$805,000 in 2008 and 2007 respectively. The company has no legal obligation for benefits under this plan.

Unitrin, Inc. sponsors a defined contribution savings plan covering substantially all of the company's employees as well as employee of certain other Unitrin subsidiaries. Employees may contribute up to 6% of salary to the plan which is subject to a 50% Parent match. The Parent match is funded monthly and allocated to the company based on employee contributions. The company's share of this savings plan expense was \$649,108 and \$463,148 for 2008 and 2007 respectively. The company has no legal obligation for benefits under this plan.

E. Postemployment Benefits and Compensated Absences

The company has no obligations to current or former employees for benefits after their employment but before their retirement other than for compensation related to earned vacation. The liability for earned but untaken vacation has been accrued in accordance with SSAP No. 11, “Postemployment Benefits and Compensated Absences.”

## NOTES TO FINANCIAL STATEMENTS

F. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17)

The company does not have any employees and, accordingly, does not have any impact from the Medicare Modernization Act on postretirement benefits.

### **13 –Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations**

A. Outstanding Shares

The company has 100,000 shares of \$156.25 par value common stock authorized, 16,000 shares issued and 10,000 shares outstanding. The Company has no preferred stock authorized, issued or outstanding.

B. Dividend Rate of Preferred Stock

The Company has no outstanding preferred stock.

C., D. and E. Dividend Restrictions

The maximum amount of dividend an insurance company domiciled in Illinois can pay without the prior approval of the insurance commissioner is a dividend whose fair market value, together with that of other dividends or distributions, made within the preceding 12 months does not exceed the greater of: (I) 10% of such insurer's surplus as regards policyholders as of the 31<sup>st</sup> day of December next preceding year; or (II) the net income of such insurer for the 12-month period ending the 31<sup>st</sup> day of December next preceding year. Under such restrictions, the maximum dividend payout which may be made by the Company without prior approval in 2009 is \$0. No shareholder dividends were declared for the year ending December 31, 2008.

F. There are no restrictions placed on the Company's unassigned funds (surplus).

G. No advances have been made to surplus.

H. The Company does not hold any stock for special purposes.

I. The Company has no special surplus needs.

J. The Company had no portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses.

K. The Company did not issue surplus debentures or similar obligations.

L. and M. Quasi Reorganizations

The Company did not engage in a quasi reorganization.

### **14 – Contingencies**

A. Contingent Commitments

The Company has no material contingent commitments or guarantees.

B. Guaranty Fund and Other Assessments

The Company is aware of the insolvency of various insurance companies. It is expected that these insolvencies and others anticipated in the next year, will result in a guaranty fund assessments against the company at some future date. At this time the company is unable to estimate the possible amounts, if any, of pending assessments. Accordingly, the company is unable to determine the impact, if any, such assessments may have on the company's financial position or results of operations. The Company does not anticipate that any future assessment will be material with respect to the company's financial position.

C. Gain Contingencies

The Company has not recognized any gain contingencies in its financial statements.

D. Claims Related Extra Obligations and Bad Faith Losses Stemming from Lawsuits

The Company has no material claims related extra obligations and bad faith losses stemming from lawsuits.

E. Other Contingencies and Writedowns for Impairment

Various lawsuits against the Company have arisen in the course of the Company's business. Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position of the Company.

### **15 – Leases**

A. Lessee Leasing Arrangements

1. The company leases office facilities under various noncancelable operating leases that expire through January 2018. The Company has no contingent rentals or sublease rentals. Rental expense for 2008 and 2007 was approximately \$3,455,667 and \$2,325,116, respectively. The Company has no renewal purchase options and no escalation clauses.

NOTES TO FINANCIAL STATEMENTS

2. Future minimum rental payments are as follows:

Year	Amount
2009	\$ 2,619,394
2010	2,254,820
2011	1,651,830
2012	598,740
2013	380,389
Thereafter	949,528
Total	\$ 8,454,701

Certain rental commitments have renewal options extending through the year 2018. Some of these renewals are subject to adjustments in future period.

3. The company has not entered into any sales and leaseback arrangements.

B. Lessor Leasing Arrangements

The Company is not a lessor.

**16 – Information About Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk**

The Company has no off-balance sheet risk on financial instruments with concentrations of credit risk.

**17 – Sale, Transfer and Servicing of Financial Assets and Extinguishment of Liabilities**

A. Transfers of Receivables Reported as Sales

The Company has no transfers of receivables reported as sales.

B. Transfers and Servicing of Financial Assets

The Company has no transfers or servicing of financial assets.

C. Wash Sales

The Company has no wash sales.

**18 – Gain or Loss to the Reporting Entity from Uninsured A & H Plans and the Uninsured Portion of Partially Insured Plans**

A. ASO Plans

The Company did not serve as an ASO plan administrator.

B. ASC Plans

The Company did not serve as an ASC plan administrator.

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contract

The Company did not participate in a Medicare or Other Similarly Structured Cost Based Reimbursement Contract.

**19 – Direct Premium Written/Produced by Managing General Agents/Third Party Administrators**

There are no Direct Premiums written by Managing General Agents/Third Party Administrators.

**20 – Other Items**

A. Extraordinary Items

The Company has no extraordinary items.

B. Troubled Debt Restructuring: Debtors

The Company has no troubled debt restructurings.

C. Other Disclosures

Assets in the amount of \$2,437,171 and \$2,445,099 at the end of the current and prior year, respectively, were on deposit with government authorities or trustees as required by law.

NOTES TO FINANCIAL STATEMENTS

D. Uncollectible Premiums Receivable

At the end of the current and prior year, the Company had admitted assets of \$13,208,016 and \$12,482,225, respectively in premiums receivable due from policyholders, agents and ceding insurers. The Company routinely assesses the collectibility of these receivables. Based upon Company experience, any uncollectible premiums receivable as of the end of the current year are not expected to exceed the nonadmitted amounts totaling \$497,304 and, therefore, no additional provision for uncollectible amounts has been recorded. The potential for any additional loss is not believed to be material to the Company's financial position.

E. Business Interruption Insurance Recoveries

The Company had no business interruption insurance recoveries.

F. State Transferable Tax Credits

The Company has no state transferable tax credits.

G. The Company does not hold any hybrid securities.

The Company has no state transferable tax credits.

H. The Company has not made significant investments in securities that are directly or indirectly related to sub-prime mortgage Loans including, but not limited to, collateralized debt obligations and structured investment vehicles.

I. The Company does not have any Federal Home Loan Bank agreements.

21 –Events Subsequent

The Company is not aware of any events occurring subsequent to the close of the books for this statement which would have a material effect on its financial condition.

22 – Reinsurance

A. Unsecured Reinsurance Recoverables

The Company has an unsecured reinsurance recoverable from the following companies:

NAIC Code	Federal ID#	Name of Reinsurer	Amount
19887	75-0620550	TRINITY UNIVERSAL INS CO	\$45,178,027

B. Reinsurance Recoverables in Dispute

The Company has no reinsurance recoverables in dispute.

C. Reinsurance Assumed and Ceded

The following table summarizes ceded and assumed unearned premiums and the related commission equity at December 31, 2008.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
Affiliates	\$0	\$0	\$ 16,372,546	\$ 0	\$ (16,372,546)	\$ 0
All Other	\$0	\$0	\$ 0	\$ 0	\$ 0	\$ 0
Total	\$0	\$0	\$ 16,372,546	\$ 0	\$ (16,372,546)	\$ 0

Direct Unearned Premium Reserve is \$18,191,718.

D. Uncollectible Reinsurance

The Company had no uncollectible reinsurance written off during the year.

E. Commutation of Ceded Reinsurance

The Company had no commutation of reinsurance ceded during the year.

F. Retroactive Reinsurance

The Company has no retroactive reinsurance contracts.

G. Reinsurance Accounted for as a Deposit

The Company has no reinsurance accounted for as a deposit.

23 – Retrospectively Rated Contracts and Contract Subject to Redetermination

The Company has no retrospective premiums reported as admitted assets, or any contracts subject to Redetermination.

**NOTES TO FINANCIAL STATEMENTS**

**24 – Changes in Incurred Losses and Loss Adjustment Expenses**

Property and casualty insurance reserves are estimates based on historical experience patterns and current economic trends. Actual loss experience and loss trends are likely to differ from these historical experience patterns and economic conditions. Loss experience and loss trends emerge over several years from the dates of loss inception. The Company monitors such emerging loss trends. Upon concluding, based on the data available, that an emerging loss trend will continue, the Company adjusts its property and casualty insurance reserves to reflect such trend. These changes in loss trend are reflected in the results of the period of change and included in Schedule P. The business to which this development relates is not retrospectively rated, therefore, they are not subject to premium adjustments.

**25 – Intercompany Pooling Arrangements**

The Company does not participate in any intercompany pooling arrangements.

**26 – Structured Settlements**

The Company has no applicable structured settlements.

**27 – Health Care Receivables**

The Company does not have any Health Care Receivables.

**28 – Participating Accident and Health Policies**

The Company does not write or assume any accident and health contracts.

**29 – Premium Deficiency Reserves**

The Company has no premium deficiency reserves.

**30 - High Deductibles**

The Company has no high deductible policies.

**31 – Discounting of Liabilities for Unpaid Losses and Unpaid Loss Adjustment Expenses**

The Company does not discount liabilities for unpaid losses or unpaid loss adjustment expenses in preparing this statement.

**32 – Asbestos/Environmental Reserves**

- A. Does the Company have on the books, or has it ever written an insured for which you have identified a potential for the existence of, a liability due to asbestos losses? Yes ( ) No (X)
- B. The Company had no reserves for Bulk + IBNR claims associated with asbestos exposures.
- C. The Company had no reserves for loss adjustment expenses associated with asbestos exposures.
- D. Does the Company have on the books, or has it ever written an insured for which you have identified a potential for the existence of, a liability due to environmental losses? Yes ( ) No (x )
- E. The Company had no reserves for Bulk + IBNR claims associated with environmental exposures.
- F. The Company had no reserves for loss adjustment expenses associated with environmental exposures.

**33 – Subscriber Savings Accounts**

The Company has no subscriber savings accounts.

**34 – Multiple Peril Crop**

The Company does not write or assume multiple peril crop insurance.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES  
GENERAL

- 1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? .....

Yes [ X ] No [ ]
- 1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? .....

Yes [ X ] No [ ] N/A [ ]
- 1.3

State Regulating? .....

Illinois
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? .....

Yes [ ] No [ X ]
- 2.2

If yes, date of change: .....
- 3.1

State as of what date the latest financial examination of the reporting entity was made or is being made. ....

12/31/2005
- 3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. ....

12/31/2005
- 3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). ....

05/14/2007
- 3.4

By what department or departments?  
Illinois Department of Insurance
- 3.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? .....

Yes [ X ] No [ ] N/A [ ]
- 3.6

Have all of the recommendations within the latest financial examination report been complied with? .....

Yes [ X ] No [ ] N/A [ ]
- 4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:  
4.11 sales of new business? .....  
4.12 renewals? .....

Yes [ ] No [ X ]  
Yes [ ] No [ X ]
- 4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:  
4.21 sales of new business? .....  
4.22 renewals? .....

Yes [ ] No [ X ]  
Yes [ ] No [ X ]
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? .....

Yes [ ] No [ X ]
- 5.2

If yes, provide name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? .....

Yes [ ] No [ X ]
- 6.2

If yes, give full information:
- 7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? .....

Yes [ ] No [ X ]
- 7.2

If yes,  
7.21 State the percentage of foreign control; ..... %  
7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES

- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? .....

Yes [   ] No [ X ]
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms? .....

Yes [ X ] No [   ]
- 8.4

If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
Fireside Bank .....	Pleasanton, CA .....				YES	
.....	.....					
.....	.....					

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Deloitte & Touche LLP, 2300 Ross Avenue, Suite 1600, Dallas, TX 75201-6778
10.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

David M. Elkins, F.C.A.S., M.A.A.A., Chief Actuary, One East Wacker Drive, Suite 3300, Chicago, IL 60601
- 11.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? .....

Yes [   ] No [ X ]

11.11

Name of real estate holding company .....

11.12

Number of parcels involved .....

11.13

Total book/adjusted carrying value .....

\$ .....
- 11.2

If, yes provide explanation:

.....

12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

- 12.1

What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 12.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? .....

Yes [   ] No [   ]
- 12.3

Have there been any changes made to any of the trust indentures during the year? .....

Yes [   ] No [   ]
- 12.4

If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? .....

Yes [   ] No [   ] N/A [   ]
- 13.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? .....

Yes [ X ] No [   ]

(a)

Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

(b)

Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

(c)

Compliance with applicable governmental laws, rules and regulations;

(d)

The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

(e)

Accountability for adherence to the code.
- 13.11

If the response to 13.1 is No, please explain:

.....
- 13.2

Has the code of ethics for senior managers been amended? .....

Yes [   ] No [ X ]
- 13.21

If the response to 13.2 is Yes, provide information related to amendment(s).

.....
- 13.3

Have any provisions of the code of ethics been waived for any of the specified officers? .....

Yes [   ] No [ X ]
- 13.31

If the response to 13.3 is Yes, provide the nature of any waiver(s).

.....

BOARD OF DIRECTORS

14.

Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? .....

Yes [ X ] No [   ]
15.

Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? .....

Yes [ X ] No [   ]
16.

Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict with the official duties of such person? .....

Yes [ X ] No [   ]

GENERAL INTERROGATORIES

FINANCIAL

17.

Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?

Yes [ ] No [ X ]

18.1

Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

18.11 To directors or other officers

18.12 To stockholders not officers

18.13 Trustees, supreme or grand (Fraternal Only)

18.21 To directors or other officers

18.22 To stockholders not officers

18.23 Trustees, supreme or grand (Fraternal Only)

\$

\$

\$

\$

\$

\$

18.2

Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

18.21 To directors or other officers

18.22 To stockholders not officers

18.23 Trustees, supreme or grand (Fraternal Only)

\$

\$

\$

19.1

Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes [ ] No [ X ]

19.2

If yes, state the amount thereof at December 31 of the current year:

19.21 Rented from others

19.22 Borrowed from others

19.23 Leased from others

19.24 Other

\$

\$

\$

\$

20.1

Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes [ ] No [ X ]

20.2

If answer is yes,

20.21 Amount paid as losses or risk adjustment

20.22 Amount paid as expenses

20.23 Other amounts paid

\$

\$

\$

21.1

Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes [ X ] No [ ]

21.2

If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$

3,725,253

INVESTMENT

22.1

Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 22.3).

Yes [ X ] No [ ]

22.2

If no, give full and complete information relating thereto:

22.3

For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provided)

22.4

Does the Company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?

Yes [ ] No [ ]

22.5

If answer to 22.4 is YES, report amount of collateral.

\$

22.6

If answer to 22.4 is NO, report amount of collateral.

\$

23.1

Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3).

Yes [ X ] No [ ]

23.2

If yes, state the amount thereof at December 31 of the current year:

23.21 Subject to repurchase agreements

23.22 Subject to reverse repurchase agreements

23.23 Subject to dollar repurchase agreements

23.24 Subject to reverse dollar repurchase agreements

23.25 Pledged as collateral

23.26 Placed under option agreements

23.27 Letter stock or other securities restricted as to sale

23.28 On deposit with state or other regulatory body

23.29 Other

\$

\$

\$

\$

\$

\$

\$

\$

\$

2,437,171

23.3

For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

24.1

Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes [ ] No [ X ]

24.2

If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?

Yes [ ] No [ ] N/A [ ]

If no, attach a description with this statement.

25.1

Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes [ ] No [ X ]

25.2

If yes, state the amount thereof at December 31 of the current year.

\$



GENERAL INTERROGATORIES

26. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, G - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [ X ] No [ ]

26.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
BNY Midwest Trust Company .....	209 W. Jackson Blvd., Suite 800, Chicago, IL 60606 .....
.....	.....

26.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
.....	.....	.....
.....	.....	.....

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes [ ] No [ X ]

26.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....	.....	.....	.....
.....	.....	.....	.....

26.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of brokers/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
.....	.....	.....
.....	.....	.....

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5(b)(1)])? Yes [ ] No [ X ]

27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
.....	.....	.....
27.2999 - Total	.....	.....

27.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
.....	.....	.....	.....

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Unitrin Direct Insurance Company

GENERAL INTERROGATORIES

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds .....	8,306,181	8,846,329	540,148
28.2 Preferred stocks .....			
28.3 Totals	8,306,181	8,846,329	540,148

28.4 Describe the sources or methods utilized in determining the fair values:

29.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? ..... Yes [ X ] No [ ]

29.2 If no, list exceptions:

OTHER

30.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? .....\$ .....467,851

30.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1	2
Name	Amount Paid
Insurance Services Office .....	121,189

31.1 Amount of payments for legal expenses, if any? .....\$ .....196,517

31.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1	2
Name	Amount Paid
Nixon Peabody Attorneys at Law .....	107,523

32.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? .....\$ .....

32.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1	2
Name	Amount Paid

GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force? .....

Yes [ ] No [ X ]

1.2

If yes, indicate premium earned on U. S. business only .....

\$ \_\_\_\_\_

1.3

What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? .....

\$ \_\_\_\_\_

1.31

Reason for excluding .....

.....

1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. ....

\$ \_\_\_\_\_

1.5

Indicate total incurred claims on all Medicare Supplement Insurance. ....

\$ \_\_\_\_\_

1.6

Individual policies:

Most current three years:

1.61 Total premium earned .....

\$ .....

1.62 Total incurred claims .....

\$ .....

1.63 Number of covered lives .....

.....

All years prior to most current three years

1.64 Total premium earned .....

\$ .....

1.65 Total incurred claims .....

\$ .....

1.66 Number of covered lives .....

.....

1.7

Group policies:

Most current three years:

1.71 Total premium earned .....

\$ .....

1.72 Total incurred claims .....

\$ .....

1.73 Number of covered lives .....

.....

All years prior to most current three years

1.74 Total premium earned .....

\$ .....

1.75 Total incurred claims .....

\$ .....

1.76 Number of covered lives .....

.....

2.

Health Test:

1

Current Year

2

Prior Year

2.1 Premium Numerator .....

.....

2.2 Premium Denominator .....

7,450,382

7,167,046

2.3 Premium Ratio (2.1/2.2) .....

0.000

0.000

2.4 Reserve Numerator .....

.....

2.5 Reserve Denominator .....

6,315,019

5,213,784

2.6 Reserve Ratio (2.4/2.5) .....

0.000

0.000

3.1

Does the reporting entity issue both participating and non-participating policies? .....

Yes [ ] No [ X ]

3.2

If yes, state the amount of calendar year net premiums written on:

3.21 Participating policies .....

\$ .....

3.22 Non-participating policies .....

\$ .....

4.

For mutual reporting Entities and Reciprocal Exchanges Only:

4.1

Does the reporting entity issue assessable policies? .....

Yes [ ] No [ ]

4.2

Does the reporting entity issue non-assessable policies? .....

Yes [ ] No [ ]

4.3

If assessable policies are issued, what is the extent of the contingent liability of the policyholders? .....

%

4.4

Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. ....

\$ \_\_\_\_\_

5.

For Reciprocal Exchanges Only:

5.1

Does the Exchange appoint local agents? .....

Yes [ ] No [ ]

5.2

If yes, is the commission paid:

5.21 Out of attorney's-in-fact compensation.....

Yes [ ] No [ ] N/A [ ]

5.22 As a direct expense of the exchange.....

Yes [ ] No [ ] N/A [ ]

5.3

What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact? .....

.....

5.4

Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred? .....

Yes [ ] No [ ]

5.5

If yes, give full information .....

.....

GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

6.1

What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss?  
There were no worker's compensation premiums written in 2008. ....

6.2

Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process.  
All policies are 90% reinsured by Trinity Universal Insurance Company after deducting third party reinsurance. ....

6.3

What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?  
All policies are 90% reinsured by Trinity Universal Insurance Company after deducting third party reinsurance. ....

6.4

Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? .....

Yes [ X ] No [ ]

6.5

If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to unreinsured catastrophic loss.  
.....

7.1

Has this reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss ratio cap, an aggregate limit or any similar provisions)?.....

Yes [ ] No [ X ]

7.2

If yes, indicate the number of reinsurance contracts containing such provisions: .....

7.3

If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)?.....

Yes [ ] No [ ]

8.1

Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? .....

Yes [ ] No [ X ]

8.2

If yes, give full information  
.....

9.1

Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:  
(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;  
(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;  
(c) Aggregate stop loss reinsurance coverage;  
(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;  
(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or  
(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. ....

Yes [ ] No [ X ]

9.2

Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:  
(a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or  
(b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. ....

Yes [ X ] No [ ]

9.3

If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:  
(a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;  
(b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and  
(c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.

9.4

Except for transactions meeting the requirements of paragraph 31 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:  
(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or  
(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? .....

Yes [ ] No [ X ]

9.5

If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.

9.6

The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:  
(a) The entity does not utilize reinsurance; or  
(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or  
(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. ....

Yes [ ] No [ X ]  
Yes [ ] No [ X ]  
Yes [ ] No [ X ]

10.

If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? .....

Yes [ ] No [ ] N/A [ X ]

GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

11.1

Has the reporting entity guaranteed policies issued by any other entity and now in force?

Yes [ ] No [ X ]

11.2

If yes, give full information

12.1

If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:

12.11 Unpaid losses

\$

12.12 Unpaid underwriting expenses (including loss adjustment expenses)

\$

12.2

Of the amount on Line 13.3, Page 2, state the amount which is secured by letters of credit, collateral, and other funds

\$

12.3

If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses?

Yes [ ] No [ ] N/A [ X ]

12.4

If yes, provide the range of interest rates charged under such notes during the period covered by this statement:

12.41 From

%

12.42 To

%

12.5

Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves , including unpaid losses under deductible features of commercial policies?

Yes [ ] No [ X ]

12.6

If yes, state the amount thereof at December 31 of the current year:

12.61 Letters of credit

\$

12.62 Collateral and other funds

\$

13.1

Largest net aggregate amount insured in any one risk (excluding workers' compensation):

\$125,000

13.2

Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision?

Yes [ ] No [ X ]

13.3

State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount.

2

14.1

Is the company a cedant in a multiple cedant reinsurance contract?

Yes [ ] No [ X ]

14.2

If yes, please describe the method of allocating and recording reinsurance among the cedants:

14.3

If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts?

Yes [ ] No [ ]

14.4

If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements?

Yes [ ] No [ ]

14.5

If the answer to 14.4 is no, please explain:

15.1

Has the reporting entity guaranteed any financed premium accounts?

Yes [ ] No [ X ]

15.2

If yes, give full information

16.1

Does the reporting entity write any warranty business?

Yes [ ] No [ X ]

If yes, disclose the following information for each of the following types of warranty coverage:

	1 Direct Losses Incurred	2 Direct Losses Unpaid	3 Direct Written Premium	4 Direct Premium Unearned	5 Direct Premium Earned
16.11 Home					
16.12 Products					
16.13 Automobile					
16.14 Other*					

\* Disclose type of coverage:

GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F - Part 3 that it excludes from Schedule F - Part 5? Yes [ ] No [ X ]

Included but not reported losses on contracts in force prior to July 1, 1984, and not subsequently renewed are exempt from inclusion in Schedule F - Part 5. Provide the following information for this exemption:

17.11 Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5	\$
17.12 Unfunded portion of Interrogatory 17.11	\$
17.13 Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$
17.14 Case reserves portion of Interrogatory 17.11	\$
17.15 Incurred but not reported portion of Interrogatory 17.11	\$
17.16 Unearned premium portion of Interrogatory 17.11	\$
17.17 Contingent commission portion of Interrogatory 17.11	\$

Provide the following information for all other amounts included in Schedule F - P art 3 and excluded from Schedule F - Part 5, not included above.

17.18 Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5	\$
17.19 Unfunded portion of Interrogatory 17.18	\$
17.20 Paid losses and loss adjustment expenses portion of Interrogatory 17.18	\$
17.21 Case reserves portion of Interrogatory 17.18	\$
17.22 Incurred but not reported portion of Interrogatory 17.18	\$
17.23 Unearned premium portion of Interrogatory 17.18	\$
17.24 Contingent commission portion of Interrogatory 17.18	\$

FIVE-YEAR HISTORICAL DATA

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e. 17.6.

	1 2008	2 2007	3 2006	4 2005	5 2004
<b>Gross Premiums Written (Page 8, Part 1B Cols. 1, 2 &amp; 3)</b>					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4) .....	47,070,478	44,371,179	32,593,511	37,567,119	36,967,894
2. Property lines (Lines 1, 2, 9, 12, 21 & 26) .....	27,800,814	27,645,327	21,045,274	26,141,728	26,988,131
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) .....	82,956				
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) .....					
5. Nonproportional reinsurance lines (Lines 31, 32 & 33) .....					
6. Total (Line 35) .....	74,954,248	72,016,506	53,638,785	63,708,847	63,956,025
<b>Net Premiums Written (Page 8, Part 1B, Col. 6)</b>					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4) .....	4,690,427	4,420,543	3,247,535	3,746,819	1,701,369
8. Property lines (Lines 1, 2, 9, 12, 21 & 26) .....	2,763,509	2,759,220	2,100,628	2,613,750	1,234,516
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) .....	10,505				
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) .....					
11. Nonproportional reinsurance lines (Lines 31, 32 & 33) .....					
12. Total (Line 35) .....	7,464,441	7,179,763	5,348,163	6,360,569	2,935,885
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8) .....	(2,424,100)	(1,538,368)	(1,602,678)	(2,134,004)	(657,651)
14. Net investment gain or (loss) (Line 11) .....	500,842	715,240	1,420,800	1,537,209	666,423
15. Total other income (Line 15) .....	317,575	442,652	417,204	261,001	58,094
16. Dividends to policyholders (Line 17) .....					
17. Federal and foreign income taxes incurred (Line 19) .....	(677,774)	(1,252,756)	468,456	(61,919)	501,551
18. Net income (Line 20) .....	(927,910)	872,280	(233,130)	(273,875)	(434,685)
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3) .....	37,187,494	35,834,270	34,609,870	61,339,316	47,734,556
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1) .....	5,080,182	4,942,664	4,850,255		
20.2 Deferred and not yet due (Line 13.2) .....	8,127,834	7,539,561	7,010,258	2,140,416	
20.3 Accrued retrospective premiums (Line 13.3) .....					
21. Total liabilities excluding protected cell business (Page 3, Line 24) .....	24,748,212	22,253,606	20,512,985	45,526,439	30,211,347
22. Losses (Page 3, Line 1) .....	3,815,912	2,825,291	2,434,657	1,599,317	581,430
23. Loss adjustment expenses (Page 3, Line 3) .....	679,935	583,380	521,011	342,096	142,662
24. Unearned premiums (Page 3, Line 9) .....	1,819,172	1,805,113	1,792,396	3,163,286	1,636,836
25. Capital paid up (Page 3, Lines 28 & 29) .....	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
26. Surplus as regards policyholders (Page 3, Line 35) .....	12,439,282	13,580,664	14,096,885	15,812,877	17,523,209
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11) .....	482,361	1,017,377	537,715	919,599	1,656,452
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital .....	12,439,282	13,580,664	14,096,885	15,812,877	17,523,209
29. Authorized control level risk-based capital .....	891,960	944,017	814,772	515,001	379,824
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets(Page 2, Col. 3) (Line divided by Page 2, Line 10, Col. 3) x100.0</b>					
30. Bonds (Line 1) .....	60.3	77.5	92.6	37.7	28.7
31. Stocks (Lines 2.1 & 2.2) .....					
32. Mortgage loans on real estate (Lines 3.1 and 3.2) .....					
33. Real estate (Lines 4.1, 4.2 & 4.3) .....					
34. Cash, cash equivalents and short-term investments (Line 5) .....	39.7	22.5	7.4	62.3	71.3
35. Contract loans (Line 6) .....					
36. Other invested assets (Line 7) .....					
37. Receivables for securities (Line 8) .....					
38. Aggregate write-ins for invested assets (Line 9) .....					
39. Cash, cash equivalents and invested assets (Line 10) .....	100.0	100.0	100.0	100.0	100.0
<b>Investments in parent, subsidiaries and affiliates</b>					
40. Affiliated bonds (Schedule D, Summary, Line 25, Col. 1).....					
41. Affiliated preferred stocks (Schedule D, Summary, Line 39, Col. 1) .....					
42. Affiliated common stocks (Schedule D, Summary, Line 53, Col. 1) .....					
43. Affiliated short-term investments (subtotals included in Schedule DA Verification, Col. 5, Line 10) .....					
44. Affiliated mortgage loans on real estate .....					
45. All other affiliated .....					
46. Total of above Lines 40 to 45 .....					
47. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 46 above divided by Page 3, Col. 1, Line 35 x 100.0)					

FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2008	2 2007	3 2006	4 2005	5 2004
<b>Capital and Surplus Accounts (Page 4)</b>					
48. Net unrealized capital gains (losses) (Line 24) .....					(71,321)
49. Dividends to stockholders (Line 35) .....				(1,700,000)	(2,100,000)
50. Change in surplus as regards policyholders for the year (Line 38) .....	(1,141,382)	(516,221)	(1,715,992)	(1,710,332)	(3,520,735)
<b>Gross Losses Paid (Page 9, Part 2, Cols. 1 &amp; 2)</b>					
51. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4) .....	32,976,300	27,088,792	23,211,161	20,751,212	15,136,649
52. Property lines (Lines 1, 2, 9, 12, 21 & 26) .....	20,521,334	20,394,296	20,238,157	21,805,367	18,009,109
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) .....	3,298		53,309		(36,273)
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) .....					
55. Nonproportional reinsurance lines (Lines 31, 32 & 33) .....					
56. Total (Line 35) .....	53,500,932	47,483,088	43,502,627	42,556,579	33,109,485
<b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>					
57. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4) .....	3,297,707	2,708,953	2,321,189	1,508,247	509,515
58. Property lines (Lines 1, 2, 9, 12, 21 & 26) .....	2,052,190	2,039,296	2,024,213	2,101,503	728,195
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27) .....	330				
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34) .....					
61. Nonproportional reinsurance lines (Lines 31, 32 & 33) .....					
62. Total (Line 35) .....	5,350,227	4,748,249	4,345,402	3,609,750	1,237,710
<b>Operating Percentages (Page 4) (Line divided by Page 4, Line 1) x 100.0</b>					
63. Premiums earned (Line 1) .....	100.0	100.0	100.0	100.0	100.0
64. Losses incurred (Line 2) .....	85.1	71.7	77.1	95.7	71.6
65. Loss expenses incurred (Line 3) .....	12.8	12.9	13.6	15.4	14.4
66. Other underwriting expenses incurred (Line 4) .....	34.7	36.8	33.1	33.1	44.6
67. Net underwriting gain (loss) (Line 8) .....	(32.5)	(21.5)	(23.9)	(44.1)	(30.7)
<b>Other Percentages</b>					
68. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0) .....	30.3	30.6	33.8	21.0	30.6
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0) .....	97.9	84.6	90.7	111.1	86.0
70. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35 divided by Page 3, Line 35, Col. 1 x 100.0) .....	60.0	52.9	37.9	40.2	16.8
<b>One Year Loss Development (000 omitted)</b>					
71. Development in estimated losses and loss expenses incurred prior to current year (Schedule P - Part 2 - Summary, Line 12, Col. 11) .....	346	119	741	(10)	11
72. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 71 above divided by Page 4, Line 21, Col. 1 x 100.0).....	2.6	0.8	4.7	(0.1)	0.1
<b>Two Year Loss Development (000 omitted)</b>					
73. Development in estimated losses and loss expenses incurred two years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12) .....	276	817	713	18	(6)
74. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 73 above divided by Page 4, Line 21, Col. 2 x 100.0) .....	2.0	5.2	4.1	0.1	



ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Unitrin Direct Insurance Company

**SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES**

**SCHEDULE P - PART 1 - SUMMARY**

(\$000 OMITTED)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12
	1  Direct and Assumed	2  Ceded	3  Net (1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	Number of Claims Reported- Direct and Assumed
				4  Direct and Assumed	5  Ceded	6  Direct and Assumed	7  Ceded	8  Direct and Assumed	9  Ceded	Salvage and Subrogation Received	Total Net Paid Cols (4 - 5 + 6 - 7 + 8 - 9)	
1. Prior.....	XXX	XXX	XXX	(1)	(1)			1	1			XXX
2. 1999.....	8,962	8,962		4,994	4,994	102	102	242	242	113		XXX
3. 2000.....	4,257	4,257		409	409			82	81	4	1	XXX
4. 2001.....	5,792	5,792	0	4,158	4,154	282	279	2,600	2,534	424	73	XXX
5. 2002.....	20,307	19,986	322	14,404	14,156	957	933	6,476	6,318	1,417	430	XXX
6. 2003.....	38,784	37,778	1,007	27,174	26,338	1,286	1,197	6,679	6,611	2,050	993	XXX
7. 2004.....	55,505	53,360	2,145	38,548	36,678	1,538	1,419	4,726	4,481	4,662	2,235	XXX
8. 2005.....	64,768	59,934	4,834	46,060	41,454	1,411	1,270	5,444	4,899	5,804	5,291	XXX
9. 2006.....	67,348	60,629	6,719	43,547	39,192	1,111	1,000	5,939	5,345	6,030	5,060	XXX
10. 2007.....	71,889	64,722	7,167	44,831	40,348	613	552	6,794	6,115	5,844	5,224	XXX
11. 2008.....	74,814	67,363	7,450	34,633	31,170	293	263	5,310	4,779	3,520	4,024	XXX
12. Totals	XXX	XXX	XXX	258,757	238,892	7,592	7,015	44,291	41,404	29,867	23,329	XXX

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23	24	25
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR						
	13	14	15	16	17	18	19	20	21	22			
	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded	Direct and Assumed	Ceded			
1. Prior.....	91	91											XXX
2. 1999.....													XXX
3. 2000.....													XXX
4. 2001.....	15	14	1	1								2	XXX
5. 2002.....	20	18	11	10	1	1	1	1			5	3	XXX
6. 2003.....	(34)	(31)	83	75	20	18	3	3	6	6	6	8	XXX
7. 2004.....	503	453	233	210	123	110	30	27	42	38	31	93	XXX
8. 2005.....	973	876	648	583	76	68	213	192	81	73	18	199	XXX
9. 2006.....	1,580	1,422	1,310	1,179	213	192	555	500	136	122	35	380	XXX
10. 2007.....	4,182	3,764	3,178	2,860	351	316	1,026	923	304	274	63	904	XXX
11. 2008.....	18,367	16,530	7,088	6,379	852	767	1,517	1,365	1,248	1,123	152	2,907	XXX
12. Totals	25,697	23,136	12,553	11,298	1,637	1,474	3,345	3,011	1,817	1,635	310	4,496	XXX

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred /Premiums Earned)			Nontabular Discount		34	Net Balance Sheet Reserves After Discount	
	26	27	28	29	30	31	32	33	Inter- Company Pooling Participation Percentage	35	36
	Direct and Assumed	Ceded	Net	Direct and Assumed	Ceded	Net	Loss	Loss Expense		Losses Unpaid	Loss Expenses Unpaid
1. Prior.....	XXX	XXX	XXX	XXX	XXX	XXX			XXX		
2. 1999.....	5,337	5,337		59.6	59.6						
3. 2000.....	491	490	1	11.5	11.5						
4. 2001.....	7,056	6,982	74	121.8	120.5	14,956.2				2	
5. 2002.....	21,870	21,437	433	107.7	107.3	134.7				3	
6. 2003.....	35,217	34,216	1,001	90.8	90.6	99.4				5	3
7. 2004.....	45,742	43,414	2,328	82.4	81.4	108.5				74	19
8. 2005.....	54,905	49,415	5,491	84.8	82.4	113.6				162	37
9. 2006.....	54,392	48,952	5,439	80.8	80.7	81.0				289	90
10. 2007.....	61,280	55,152	6,128	85.2	85.2	85.5				736	168
11. 2008.....	69,308	62,377	6,931	92.6	92.6	93.0				2,545	362
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX			XXX	3,816	680

Note: Parts 2 and 4 are gross of all discounting, including tabular discounting. Part 1 is gross of only nontabular discounting, which is reported in Columns 32 and 33 of Part 1. The tabular discount, if any, is reported in the Notes to Financial Statements which will reconcile Part 1 with Parts 2 and 4.

SCHEDULE P - PART 2 - SUMMARY

Years in Which Losses Were Incurred	INCURRED NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										DEVELOPMENT	
	1 1999	2 2000	3 2001	4 2002	5 2003	6 2004	7 2005	8 2006	9 2007	10 2008	11 One Year	12 Two Year
1. Prior.....	2,792	2,919	2,919	2,919	2,919	2,919	2,919	2,919	2,919	2,919		
2. 1999.....												
3. 2000.....	XXX											
4. 2001.....	XXX	XXX	1		1	(5)	(5)	6	8	8		2
5. 2002.....	XXX	XXX	XXX	230	220	228	220	270	273	275	3	5
6. 2003.....	XXX	XXX	XXX	XXX	685	694	709	915	922	933	11	18
7. 2004.....	XXX	XXX	XXX	XXX	XXX	1,590	1,573	2,031	2,043	2,078	35	47
8. 2005.....	XXX	XXX	XXX	XXX	XXX	XXX	4,813	4,830	4,883	4,938	56	108
9. 2006.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	4,737	4,779	4,832	53	95
10. 2007.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	5,229	5,418	189	XXX
11. 2008.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	6,275	XXX	XXX
12. Totals											346	276

SCHEDULE P - PART 3 - SUMMARY

Years in Which Losses Were Incurred	CUMULATIVE PAID NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)										11 Number of Claims Closed With Loss Payment	12 Number of Claims Closed Without Loss Payment
	1	2	3	4	5	6	7	8	9	10		
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008		
1. Prior.....	.000	2,919	2,919	2,919	2,919	2,919	2,919	2,919	2,919	2,919	XXX	XXX
2. 1999.....											XXX	XXX
3. 2000.....	XXX										XXX	XXX
4. 2001.....	XXX	XXX		1	1	(5)	(5)	(2)	6	6	XXX	XXX
5. 2002.....	XXX	XXX	XXX	117	181	215	217	235	269	272	XXX	XXX
6. 2003.....	XXX	XXX	XXX	XXX	403	623	685	828	905	925	XXX	XXX
7. 2004.....	XXX	XXX	XXX	XXX	XXX	1,003	1,425	1,756	1,958	1,989	XXX	XXX
8. 2005.....	XXX	XXX	XXX	XXX	XXX	XXX	3,162	4,140	4,539	4,747	XXX	XXX
9. 2006.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,029	4,044	4,466	XXX	XXX
10. 2007.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,178	4,544	XXX	XXX
11. 2008.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,493	XXX	XXX

SCHEDULE P - PART 4 - SUMMARY

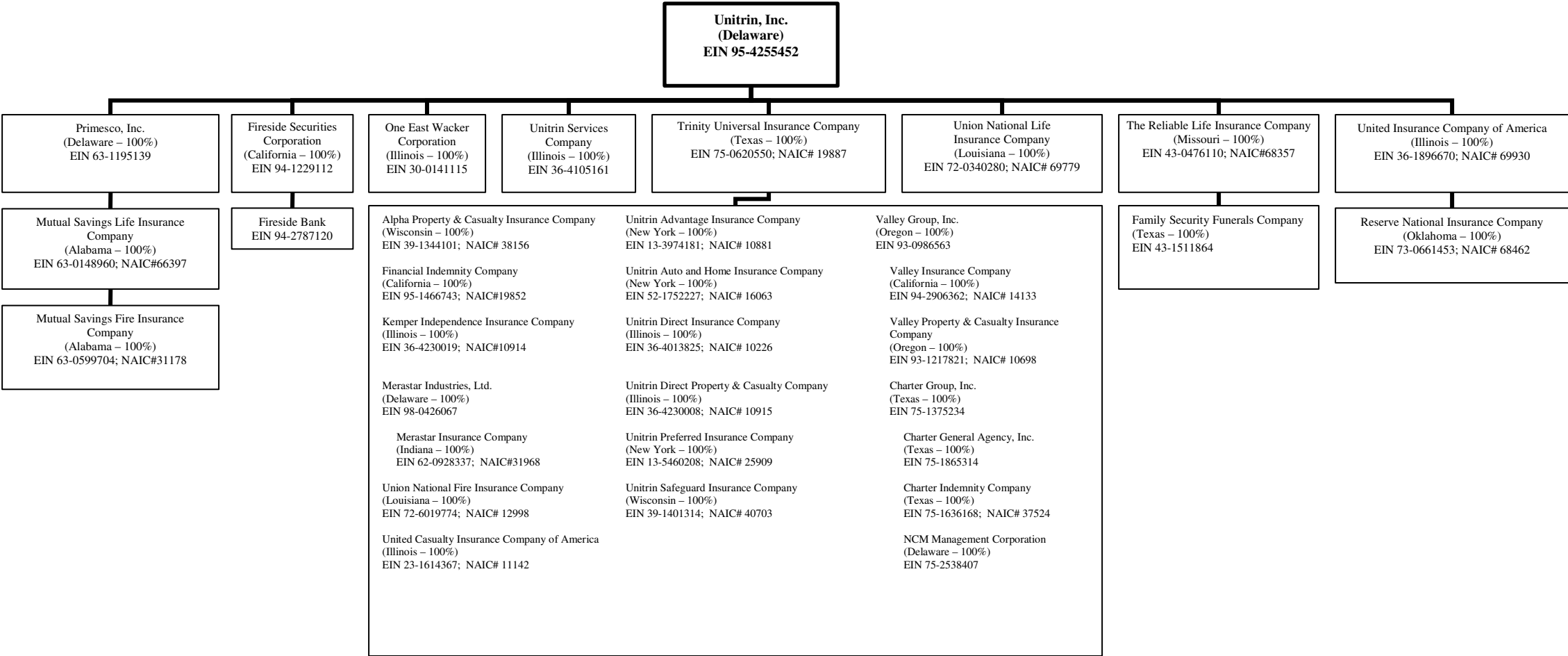
Years in Which Losses Were Incurred	BULK AND IBNR RESERVES ON NET LOSSES AND DEFENSE AND COST CONTAINMENT EXPENSES REPORTED AT YEAR END (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
1. Prior.....	1,057									
2. 1999.....										
3. 2000.....	XXX									
4. 2001.....	XXX	XXX						1		
5. 2002.....	XXX	XXX	XXX	48	12	12	3	10	1	1
6. 2003.....	XXX	XXX	XXX	XXX	84	62	17	37	11	9
7. 2004.....	XXX	XXX	XXX	XXX	XXX	210	85	95	36	26
8. 2005.....	XXX	XXX	XXX	XXX	XXX	XXX	467	289	166	86
9. 2006.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	545	381	187
10. 2007.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	617	420
11. 2008.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	861

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories									
States, Etc.	1  Active Status	Gross Premiums, Including Policy and Membership Fees, Less Return Premiums and Premiums on Policies Not Taken		4  Dividends Paid or Credited to Policyholders on Direct Business	5  Direct Losses Paid (Deducting Salvage)	6  Direct Losses Incurred	7  Direct Losses Unpaid	8  Finance and Service Charges Not Included in Premiums	9  Direct Premiums Written for Federal Purchasing Groups (Included in Column 2)
		2  Direct Premiums Written	3  Direct Premiums Earned						
1. Alabama.....AL	N								
2. Alaska.....AK	N								
3. Arizona.....AZ	L				74,270	27,655	30,123		
4. Arkansas.....AR	N								
5. California.....CA	L	33,305,639	34,546,001		24,873,083	25,494,409	12,927,212	915,123	
6. Colorado.....CO	N								
7. Connecticut.....CT	N								
8. Delaware.....DE	N								
9. District of Columbia.....DC	N								
10. Florida.....FL	N								
11. Georgia.....GA	N								
12. Hawaii.....HI	N								
13. Idaho.....ID	N								
14. Illinois.....IL	L	907,768	827,378		421,529	562,238	314,315	28,649	
15. Indiana.....IN	L								
16. Iowa.....IA	L	1,001,774	925,085		624,094	1,146,795	621,543	37,127	
17. Kansas.....KS	N								
18. Kentucky.....KY	N								
19. Louisiana.....LA	N								
20. Maine.....ME	N								
21. Maryland.....MD	L	9,935,978	10,251,777		8,141,903	8,494,179	3,966,477	211,272	
22. Massachusetts.....MA	N								
23. Michigan.....MI	L				210,844	176,329	64,817		
24. Minnesota.....MN	N								
25. Mississippi.....MS	N								
26. Missouri.....MO	N								
27. Montana.....MT	N								
28. Nebraska.....NE	N								
29. Nevada.....NV	N								
30. New Hampshire.....NH	N								
31. New Jersey.....NJ	L	14,268,936	13,793,426		6,985,425	11,427,681	8,484,264	386,194	
32. New Mexico.....NM	N								
33. New York.....NY	L	12,894,942	12,828,510		10,858,602	14,525,784	10,436,578	371,252	
34. North Carolina.....NC	N								
35. North Dakota.....ND	N								
36. Ohio.....OH	N								
37. Oklahoma.....OK	N								
38. Oregon.....OR	N								
39. Pennsylvania.....PA	L	73,122	30,307		570,065	292,598	889,896	1,679	
40. Rhode Island.....RI	N								
41. South Carolina.....SC	N								
42. South Dakota.....SD	N								
43. Tennessee.....TN	N								
44. Texas.....TX	L	2,566,108	1,611,195		740,960	1,255,635	514,677	49,361	
45. Utah.....UT	N								
46. Vermont.....VT	N								
47. Virginia.....VA	L								
48. Washington.....WA	N								
49. West Virginia.....WV	N								
50. Wisconsin.....WI	N								
51. Wyoming.....WY	N								
52. American Samoa.....AS	N								
53. Guam.....GU	N								
54. Puerto Rico.....PR	N								
55. U.S. Virgin Islands.....VI	N								
56. Northern Mariana Islands.....MP	N								
57. Canada.....CN	N								
58. Aggregate Other Aliens.....OT	XXX								
59. Totals (a)	(a) 12	74,954,267	74,813,679		53,500,775	63,403,303	38,249,902	2,000,657	
DETAILS OF WRITE-INS									
5801. ....	XXX								
5802. ....	XXX								
5803. ....	XXX								
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX								
5899. Totals (Lines 5801 through 5803 plus 5898)(Line 58 above)	XXX								

Explanation of basis of allocation of premiums by states, etc.  
Auto premiums are reported in the state of the insured's current primary residence.  
(a) Insert the number of L responses except for Canada and Other Alien.

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 – ORGANIZATIONAL CHART



Unitrin County Mutual Insurance Company (NAIC# 29351, domiciled in the state of Texas) is affiliated with NCM Management Corp. by virtue of a management agreement. Capitol County Mutual Fire Insurance Company (NAIC# 29211, domiciled in the state of Texas) is affiliated with The Reliable Life Insurance Company by virtue of a management agreement. Old Reliable Casualty Company (NAIC# 36625, domiciled in the state of Missouri) is affiliated with Trinity Universal Insurance Company by virtue of its affiliation with Capitol County Mutual Fire Insurance Company.

OVERFLOW PAGE FOR WRITE-INS

Additional Write-ins for Assets Line 23

2304.	Prepaid expenses .....	1,951,514	1,951,514	.....
2397.	Summary of remaining write-ins for Line 23 from overflow page	1,951,514	1,951,514	

Additional Write-ins for Underwriting and Investment Exhibit Part 3 Line 24

2404.	Outside services .....		21,189	.....	21,189
2497.	Summary of remaining write-ins for Line 24 from overflow page		21,189		21,189

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